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This document contains forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for CT Real Estate Investment Trust's ("CT REIT" or the "REIT") business and results of operations. Forward-looking statements are provided for the purposes of providing information about CT REIT's future outlook and anticipated events or results and may include statements regarding known and unknown risks and uncertainties and other factors that may cause the actual results to differ materially from those indicated. Such factors include, but are not limited to, general economic conditions, financial position, business strategy, availability of acquisition opportunities, budgets, capital expenditures, financial results including fair value adjustments and cash flow assumptions upon which they are based, cash, taxes, plans and objectives of or involving CT REIT. Particularly, statements regarding future acquisitions, developments, dispositions, results, performance, achievements, prospects or opportunities for CT REIT or the real estate industry are forward-looking statements. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this presentation include, but are not limited to, statements with respect to the following: CT REIT's relationship with Canadian Tire Corporation, Limited, ("CTC", which term refers to Canadian Tire Corporation, Limited and its subsidiaries unless the context otherwise requires); CT REIT's ability to execute, its growth strategies; CT REIT's capital expenditures to fund acquisitions and development activities; CT REIT's distribution policy and the distributions to be paid to its unitholders; CT REIT's capital strategy and its impact on the financial performance of the REIT and distributions to be paid to its unitholders; the expected tax treatment of CT REIT and its distributions to its unitholders; CT REIT's access to available sources of debt and/or equity financing; CT REIT's ability to expand its asset base, make accretive acquisitions, develop or intensify its property and participate with CTC in the development or intensification of the properties; interest rates and the future interest rate environment.

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For more information on the risks, uncertainties and assumptions that could cause CT REIT's actual results to differ from current expectations, please also refer to CT REIT's public filings available on SEDAR at www.sedar.com and at www.ctreit.com.

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PRESENTATION

Operator

Good afternoon. My name is Valerie and I will be your conference operator today. At this time, I would like to welcome everyone to CT REIT's First Quarter Earnings Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. If you would like to ask a question during that time, simply press star then the number one on your telephone keypad. To withdraw your question, press the pound key.

The speakers on the call today are Ken Silver, Chief Executive Officer of CT REIT, and Louis Forbes, Chief Financial Officer of CT REIT.

Today's discussion may include forward-looking statements. Such statements are based on Management's assumptions and beliefs. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. Please see CT REIT's public filings for a discussion of these risk factors, which are included in their 2016 MD&A and AIF, which can be found on CT REIT's website and on SEDAR.

I will now turn the call over to Ken Silver. Ken?

Ken Silver, Chief Executive Officer, CT REIT

Thank you, Operator, and good afternoon, everyone. We're very pleased to welcome you to CT REIT's First Quarter 2016 Investor Conference Call. I'll lead off with a discussion of our investment and development activity, and Louis will then briefly review certain financial matters.

We've been busy in the past few months and I'm delighted with what we've been able to achieve. This morning, we announced seven new investments, including the acquisition of an existing Canadian Tire store in Edson, Alberta; the acquisition of two malls, one in Antigonish, Nova Scotia, and the other in Winkler, Manitoba; and the intensification of four properties currently in the REIT portfolio. All told, these new investments represent $43.1 million of capital, approximately 410,000 square feet of incremental gross leasable area, and are expected to earn an 8.3 percent weighted average going-in cap rate upon completion. The average cap rate on these investments is higher than our typical announcements due to the mix of projects.

With respect to the two mall assets, both were acquired in early May and both have redevelopment potential. Work on redeveloping Antigonish Mall has begun, and the scope of work includes expanding the Canadian Tire store anchoring the mall, relocating and expanding the Mark's store, and relocating some other tenants and leasing vacant space. This project is targeted for completion in the fall of 2017. Plans for redeveloping Southland Mall are currently in the works.

Both of those projects have similar characteristics. They're located in strong, stable smaller markets we know well, are well located, have Canadian Tire banners as tenants looking to expand, and are undermanaged assets that were owned by vendors looking for an exit strategy. This is a recipe similar to our Arnprior Mall project that is underway and on target, that delivers low-risk redevelopment opportunities at attractive yields, and one that the CTC relationship makes possible.

We expect the acquisition of the Edson property to be completed in the second quarter of this year, and the four intensifications should be completed in the fourth quarter of this year.

Today's press release also provides an update on a number of our previous announcements, which I'll touch on now.

In April, we acquired a parcel of land in Hamilton, Ontario from CTC, and have a commitment with them to fund the construction of a new Canadian Tire store, expected to be completed in the fourth quarter of this year.

In late April, we completed the sale and leaseback with Sears Canada of their 660,000 square foot distribution centre in Calgary, Alberta, and acquired seven acres of adjacent zoned development land.

Last week, we completed four previously announced vend-ins from CTC, located in Squamish, British Columbia; Leamington, Ontario; Alma, Quebec; and in Rothesay, New Brunswick.

In total, these investments, once completed, add 893,000 square feet to the portfolio at a cost of $123.3 million, and have or will be funded by the issuance of Class B LP Units, Class C LP Units, cash on hand and/or draws on our line of credit, or a combination thereof.

The first quarter press release also provides details on the development pipeline. At a high level, projects are running on time and, in total, on budget. We refer you to our press release for the details.

Louis and I visited the redevelopment project in Arnprior in late April, just as space was turned over to Canadian Tire for the finishing of their store, and we're happy with the progress of this project. We expect the mall to be fully leased by completion in the fall, bringing the occupancy rate from approximately 60 percent to 100 percent along the way.

CT REIT remains on track to complete the previously announced acquisition of CTC's distribution centre nearing completion in Bolton, Ontario. We expect to close the purchase in the second quarter of this year, but rent will not start until January 2017.

Looking forward, our portfolio will look a little different after the acquisition of the Bolton DC. On a pro forma basis, we will own 3.9 million square feet of high-quality distribution centre space located in the Greater Toronto, Greater Montreal and Calgary markets, or about 16 percent of our portfolio on a GLA basis and 10 percent on the basis of annualized base minimum rent. While we don't have a target allocation for distribution space in our portfolio, we are attuned to the importance of the supply chain to a retailer and the growing importance of distribution in an evolving multi-channel retail world. We believe high-quality, well-located distribution space has a home in our portfolio.

With that, I will turn it over to Louis for a review of our financial results.

Louis Forbes, Chief Financial Officer, CT REIT

Thanks, Ken. Our first quarter results represent solid growth in AFFO per unit over the reported results for the first quarter of 2015. In Q1 2016, we reported FFO per unit of $0.26, as compared to $0.258 per unit in Q1 of 2015. AFFO per unit was $0.206, as compared to $0.20 in the comparable period, representing a 3.0 percent growth rate.

Net operating income was $69.1 million, a 7.2 percent increase over the $64.5 million of NOI reported for Q1 2015. Our MD&A breaks this headline growth into its components: 1.3 percent growth on a same store basis, 2.2 percent growth on a same property basis, and the balance as a result of acquisition and development activity.

The same store growth would have been stronger but for two items that we do not expect to see again this year.

First, in the fourth quarter of 2015, we had overestimated the recovery of certain operating expenses and that over-accrual was reversed in Q1 of this year.

Second, the first quarter of 2015 had the reverse situation, in that it included a small amount of 2014 income that had been under-accrued in 2014.

While these are small-dollar items, they explain the difference between the reported 1.3 percent increase and what would have been 1.8 percent. The net effect is that we think the Q1 2016 NOI run rate was understated by approximately $200,000. On top of that, there is the impact of partial quarter investment activity. The same property growth layers in the effect of intensifications on our results.

There are two noteworthy items in G&A expense that have affected our expense run rate negatively and that we do not expect to recur in the latter three quarters of this year.

First, many of you are aware of a land transfer tax issue in the province of Ontario and the city of Toronto that came to light in February of this year. We have recorded $323,000 in G&A expense with respect to this matter. If there are bureaucrats on the call, please do not take this as an admission of liability. Rather, it is a reserve for potential expense in a very unclear regulatory environment. The amount recorded captures all transactions since IPO two-and-a-half years ago.

Secondly, we recorded approximately $200,000 of deferred tax expense in the first quarter of 2016, a slightly lower level of expense than recorded in the first quarter of 2015. Our experience in 2015 was that this expense reversed over the course of that year and that that may well happen again.

The point is that our Q1 G&A expense overstates our run rate for the year.

With respect to the balance sheet, the financial position is strong and liquid. At March 31, the REIT's indebtedness ratio was 47.7 percent. We also had $200 million available on the credit facility, with an accordion feature for an additional $100 million, and there was roughly $31 million of cash on hand. Subsequent to quarter end, the REIT exercised the accordion feature on its credit facility and increased the committed amount by $100 million to $300 million, and at the same time extended its term to April 2021.

Debt, as compared to earnings before interest, taxes and fair value adjustments, was a solid 7.08. Two hundred and eighty-four of the REIT's assets are not encumbered, representing in excess of $4.1 billion of assets; or said another way, in excess of 95 percent of our assets. In addition, interest coverage for the quarter continues to be strong at 3.2 times.

Our AFFO payout ratio was a solid 83 percent, the same as the first quarter of 2015, but up from the 81 percent in Q4 of 2015. The change in payout ratio from Q4 of last year to Q1 of this year reflects the increase in our distribution rate in January of this year.

On an operating basis, our portfolio continues to be 99.9 percent occupied. Canadian Tire represents 93.7 percent of our annualized base minimum rent and, when combined with other CTC banners, represents 96.3 percent of our annualized base minimum rent. All metrics are largely unchanged from a year ago.

Again, I would like to take a minute to speak to the trend in our book value per unit. At March 31, 2016, the book value per unit was $11.84, representing 5.6 percent growth over the book value of $11.21 a year ago. A number of factors contributed to this growth in book value: a higher value for the income producing properties due to ongoing growth in cash flow resulting from the annual rent increases—again, I remind that valuation metrics have not changed—retained cash flow contributes to this growth; a higher receivable balance due to recoverable capex spend; and, lastly, accretive investing activity financed, in part, by equity issuance that is accretive to this book value per unit. On a trailing basis, combining distributions and book value per unit growth, CT REIT has continued to deliver a total return, annual return in excess of 10 percent.

In January of this year, the REIT provided notice to CTC of its intention to redeem the Series 2 Class C LP Units, which are redeemable or will have their rate reset as of May 31 this year. The rate of distributions on this series is 3.5 percent. Canadian Tire has agreed to the redemption, which will be funded by the issuance of $200 million of Class B LP Units. The units will be valued using the volume weighted average trading price for CT REIT units for the 20 trading days immediately preceding May 27, 2016.

With that, I will turn it back to Ken.

Ken Silver, Chief Executive Officer, CT REIT

Thanks, Louis. As you've just heard, it's been a very busy start to the year. The REIT's prospects are bright and enhance our promise of delivering long-term value for our unitholders.

Now, Operator, I'll turn the call back to you for any questions from our listeners.

QUESTION AND ANSWER SESSION

Operator

Thank you, Mr. Silver. At this time, I would like to remind everyone in order to ask a question, please press star, then the number one on your telephone keypad. We ask that you please pick up your handset or step closer to your speakerphone system when asking your question to provide maximum audio clarity. We'll pause for just a moment to compile the Q&A roster.

Our first question is from Sam Damiani with TD Securities. Please go ahead.

Sam Damiani, TD Securities

Thank you, and good afternoon.

Ken Silver, Chief Executive Officer, CT REIT

Good afternoon.

Sam Damiani, TD Securities

Just on the Bolton acquisition, the price in the press release and the price in the MD&A are a little bit different. Is it still the $325 million originally contemplated?

Louis Forbes, Chief Financial Officer, CT REIT

The total cost, Sam, is expected to be $325 million. That includes closing costs. Sometimes, other numbers might just refer to the purchase price, so there are slight differences sometime.

Sam Damiani, TD Securities

Okay, and the cap rate, is that as originally advertised?

Louis Forbes, Chief Financial Officer, CT REIT

It is down a few basis points. I think, as we had indicated, there was some variability with respect to the REIT's cost of capital, and the REIT's cost of capital has improved since that transaction was negotiated. So, the cap rate is down a couple basis points.

Sam Damiani, TD Securities

Okay. Just in terms of the pipeline, let's call it, from Canadian Tire in the last two-and-a-half, three years, how much has the REIT already acquired and how much is left?

Ken Silver, Chief Executive Officer, CT REIT

I believe—Sam, it's Ken—I believe that we've acquired about 26 properties from Canadian Tire so far. There was, I believe, about a hundred properties that were retained by Canadian Tire at the time of the IPO. Not all of them, we thought were candidates to go into the REIT. Some of them, if and when we buy them, might be redundant properties. So, there continues to be a pipeline of real estate to acquire from Canadian Tire.

At the time of the IPO, we really didn't consider at the time of the IPO, like, the Bolton transaction, or the potential transaction for the Brampton Steeles property, in terms of that ongoing pipeline of real estate from Canadian Tire, so those are above and beyond those store properties.

Sam Damiani, TD Securities

Understood. Just on the Brampton site, could you give us some metrics in terms of what that looks like? I know you haven't committed to buy it at this point, but just in terms of letting us at least think about what it might represent?

Ken Silver, Chief Executive Officer, CT REIT

Well, I can tell you there's about—it's about a 90-acre site, and today there is a 1.4 million square foot distribution centre that we believe has outlived now its useful life, and a gas bar. So, that's where there today, and we have not yet landed on what will be there in the future.

Sam Damiani, TD Securities

If it's something other than retail or industrial, would you see yourselves bringing in a partner?

Ken Silver, Chief Executive Officer, CT REIT

Yeah, possible. I mean, it's very early stages, and as we did with Canada Square, we saw the value in having a partner that had both financial capability and development capability.

Sam Damiani, TD Securities

Good. Okay, thanks. I'll turn it back.

Ken Silver, Chief Executive Officer, CT REIT

Thank you.

Operator

Thank you. Our next question is from Alex Avery with CIBC. Please go ahead.

Alex Avery, CIBC World Markets

Thank you. Louis, under your opening remarks, you talked about the land transfer tax, Regulation 70.91 item, and you said that the, I guess, reserves that you've taken related to all transactions since IPO. Does that include the IPO transaction itself?

Louis Forbes, Chief Financial Officer, CT REIT

It does, I guess, but at an amount of zero, because the IPO transaction itself is not for the REIT's count.

Alex Avery, CIBC World Markets

So, that is to say that CTC has indemnified you, I guess, in a sense?

Louis Forbes, Chief Financial Officer, CT REIT

Yes.

Alex Avery, CIBC World Markets

Okay, all right. Then, on your discussion about, I guess, the variances within same property NOI before developments and intensifications, you said that, you know, other than some items, it would have been 1.8 percent. Is it safe to assume that you're expecting to return to that 1.8 percent growth rate in Q2 and the remainder of the year?

Louis Forbes, Chief Financial Officer, CT REIT

Well, what I said was that it would have been 1.8 percent in Q1 after those adjustments. You know we have the 1.5 percent average increases coming from the CTR leases. There are other properties, such as Canada Square, or a few other properties unrelated to CTC, that also contribute to the growth rate and they can vary a bit from quarter to quarter. So, while 1.8 is a good indicator, I wouldn't necessarily stand behind extrapolating that throughout the year. It could be better, it could be a little worse.

Alex Avery, CIBC World Markets

But the 1.8 would also include the growth in recoveries, as well, correct?

Louis Forbes, Chief Financial Officer, CT REIT

Yes.

Alex Avery, CIBC World Markets

Okay. Then, just lastly, on the transactions, you continue to transact on a regular basis with Canadian Tire, issuing Class B and Class C. To the extent that you're acquiring third-party properties, is there anything that precludes you from issuing additional units into the public markets?

Louis Forbes, Chief Financial Officer, CT REIT

Nothing precluding us, other than the provisions of the Declaration of Trust that give Canadian Tire the right to approve our investing and financing activity, as they have been doing since IPO.

Alex Avery, CIBC World Markets

Okay. Well, institutional investors, I think would be quite pleased to see the float increase over time.

Louis Forbes, Chief Financial Officer, CT REIT

That's understood.

Alex Avery, CIBC World Markets

Excellent. Thank you very much.

Ken Silver, Chief Executive Officer, CT REIT

Thank you.

Operator

Thank you. As a reminder, please press star, one at this time if you have a question.

Our next question is from Michael Smith with RBC Capital Markets. Please go ahead.

Michael Smith, RBC Capital Markets

Thank you. Ken, it sounds like distribution space is going to be an area of growth going forward, maybe more so than anticipated at the IPO. Is that a fair interpretation of your comments?

Ken Silver, Chief Executive Officer, CT REIT

I think—yes, I think so. I think distribution space had a home in our portfolio from day one. Obviously, we acquired the Montreal DC at the IPO. We acquired another DC asset in 2014. So, I think we always were comfortable with the notion of distribution space as part of the portfolio.

I think everybody is thinking about what the future of retail looks like, and of course we are as well, and, really, we see the importance of distribution space in distributing products to consumers, and the role that distribution space will play in this evolving multi-channel retail world that is emerging.

So, as I said in my opening comments, I think, because of our relationship with Canadian Tire, perhaps we have a more finally attuned appreciation for the importance of the supply chain to a retailer and view that as almost inseparable from the retail bricks-and-mortar. So, we see them—we would look at them together.

Michael Smith, RBC Capital Markets

Okay, thank you, that makes sense. So, just switching gears, for the two malls, or the two properties you bought that were undermanaged, were those vendors, were they like individuals, like local guys?

Ken Silver, Chief Executive Officer, CT REIT

One was, and one was what I would describe as certainly a very professional real estate manager and investor, for whom this asset was no longer a core part of their portfolio.

Michael Smith, RBC Capital Markets

Do you think there's more situations like that out there?

Ken Silver, Chief Executive Officer, CT REIT

Yeah.

Michael Smith, RBC Capital Markets

Would you say a lot?

Ken Silver, Chief Executive Officer, CT REIT

Well …

Michael Smith, RBC Capital Markets

Like, is it more common than we would think?

Ken Silver, Chief Executive Officer, CT REIT

I think there are a lot of interesting situations across the country.

Michael Smith, RBC Capital Markets

Okay. Thank you.

Ken Silver, Chief Executive Officer, CT REIT

Thank you.

Operator

Thank you. As there are no further questions at this time, I will turn the call over to Ken Silver, CEO, for any closing remarks.

Ken Silver, Chief Executive Officer, CT REIT

Thank you, Operator, and thank you all for joining us today. We expect our second quarter results will be released the first week of August. We look forward to speaking with you then. Thank you.

Operator

Thank you, gentlemen. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.
